

No. 10/28/DPM

Jakarta, 1 September 2008

CIRCULAR LETTER
TO
BANK, MONEY MARKET BROKER OF RUPIAH AND FOREIGN CURRENCY
AND SECURITIES BROKER/DEALER

Subject: Second Amendment to Circular Letter of Bank Indonesia Number 8/13/DPM dated 1 May 2006 concerning the issuance of Bank Indonesia Certificate through Auction.

In relation with the improvement of monetary policy and improvement of stipulation related to Bank Indonesia Scripless Securities Settlement System, it is deemed necessary to amend some stipulations in the Circular Letter of Bank Indonesia Regulation Number 8/13/DPM dated 1 May 2006 concerning the Issuance of Bank Indonesia Certificate through Auction as amended with Circular Letter of Bank Indonesia Number 10/1/DPM dated 25 January 2008, as follows:

I. Stipulation of CHAPTER I number 5 is deleted and added by 1 (one) new number, that is number 15, so CHAPTER I as a whole is to be read as follows:

I. GENERAL PROVISION

The terminology used in this Circular Letter has the following meaning:

1. Bank is a commercial bank as referred to in Act Number 7 of 1992 concerning Banking as amended with Act Number 1 of 1998, which is implementing its business activity in conventional basis.

2. Open ...

2. Open Market Operation hereinafter referred to as OPT is a transaction activity in money market implemented by Bank Indonesia with Bank and other parties in the framework of monetary management.
3. Bank Indonesia Certificate hereinafter referred to as SBI is the Securities in Rupiah currency issued by Bank Indonesia as acknowledgement of debt in short maturity.
4. SBI Auction is SBI sales implemented by Bank Indonesia in the frame of monetary policy.
5. Stop Out Rate hereinafter referred to as SOR is the highest discount rate as the result of SBI Auction in the framework of achieving quantity target of SBI that shall be issued by Bank Indonesia.
6. Demand Deposit Account is the Rupiah fund account of Bank maintained in Bank Indonesia.
7. Bank Indonesia – Real Time Gross Settlement System hereafter referred to as BI-RTGS System is an electronic transfer system of fund among participants in Rupiah currency which settlement is implemented all at once per transaction individually.
8. Bank Indonesia - Scripless Securities Settlement System hereinafter referred to as BI-SSSS is a transaction means with Bank Indonesia including the administration and securities administration electronically and directly connected among participants, operator and BI-RTGS System.
9. Central Registry is Bank Indonesia that implement securities administration function for the interest if BI-SSSS participants, those are Bank, Sub-registry and other parties approved by Bank Indonesia.
10. Securities Account is the securities account that is used to record SBI ownership in the Central Registry.
11. Securities Settlement is the transfer of securities between Bank Indonesia

with ...

and Bank as owner of Securities Account in Central Registry through BI-SSSS.

12. Fund Settlement is the fund transfer between Bank Indonesia and Bank as owner of Demand Deposit Account through BI-RTGS System.
 13. Delivery Versus Payment hereinafter referred to as DVP is SBI transaction settlement by way of Securities Settlement through BI-SSSS implemented at the same time with Fund Settlement in Bank Indonesia through BI-RTGS System.
 14. Broker is the broker company of rupiah and foreign currency money market as well as securities broker/dealer appointed by Bank Indonesia as participant of SBI Auction.
 15. Commercial Bank Daily Report System hereinafter referred to as LHBUS System is the reporting means of Bank to Bank Indonesia in daily method, including the money market information provision and announcement from Bank Indonesia.
2. Stipulation of CHAPTER III number 2 and number 6 are deleted and to amend number 5, number 13, number 14 and number 15, so CHAPTER III is to be read as follows:

III. PRINCIPLES AND REQUIREMENTS OF SBI AUCTION

1. Issuance of SBI through auction may be implemented with auction method as follows:
 - a. Fixed rate
Discount rate of SBI Auction is to be determined by Bank Indonesia;
or
 - b. Variable rate
 - 1) Discount rate of SBI Auction is submitted by Auction participants, with incremental discount rate for every bid submitted of 0,01% (one per ten thousand).

2) Bank ...

- 2) Bank Indonesia is to announce indicative target of SBI Auction.
2. Bank Indonesia qq. Directorate of Monetary Management Bureau of Monetary Operation is to announce the plan for SBI Auction at the latest on 1 (one) working day before the SBI Auction implementation through BI-SSSS, LHBUS System and/or other means determined by Bank Indonesia.
3. The announcement of SBI Auction plan as referred to in point 2 among others covering date of auction, method of auction, tenor of SBI issued, quantity target (when SBI Auction is to be implemented with variable rate method), SBI discount rate (when SBI Auction is to be implemented with fixed rate), window time and settlement date.
4. SBI Auction is to be implemented on Wednesday with window time from 12:00 WIB (Western Indonesia Time) up to 14:00 WIB. In case needed, Bank Indonesia may decide for SBI Auction to be implemented on other working day and/or other window time.
5. The maturity date of SBI is determined on Thursday or the next working day if Thursday is a holiday. In case needed, Bank Indonesia may decide the maturity date of SBI on other working day.
6. SBI Auction Participants are divided as follows:
 - a. Direct participants, are Banks and Brokers who execute SBI Auction transaction directly with Bank Indonesia.
 - b. Indirect participants, are Banks submitting bids for SBI Auction through Brokers.
7. Bank may only submit bids for SBI Auction for its own interest
8. Broker is prohibited to submit bids for SBI Auction for its own interest.

9. SBI ...

9. SBI Auction participant is responsible for the data validity of bids submitted for SBI Auction.
 10. Bank Indonesia may accept only bids submission for SBI Auction from direct participant and to use SBI Auction bidding data submitted by direct participant.
 11. Bank which is a SBI Auction Participant is not being suspended to follow OPT activities and having active status in BI-SSSS.
 12. Bank Indonesia is implementing SBI settlement which consists of Fund Settlement and Securities Settlement at the latest on 1 (one) working day after SBI Auction implementation. Announcement of SBI settlement date at the latest at the same time with the announcement of SBI Auction plan.
 13. Bank, either acting as direct participant or indirect participant, is obliged to provide sufficient fund to meet the obligation of transaction settlement of SBI Auction with Bank Indonesia up to the cut-off warning of BI-RTGS System for Fund Settlement as referred to in point 12.
3. Stipulations of CHAPTER VII are amended, so as to be read as follows:
- VII. SANCTION
1. In the event a SBI Auction transaction cancellation is occurred as referred to in point VI.3, the related Bank is to be imposed with OPT sanction in the form of:
 - a. written warning, with a copy to:
 - 1) Related Bank Supervision Directorate, in the case sanction is imposed to Bank having its head office in the working area of Bank Indonesia Head Office (KPBI); or
 - 2) Bank Supervision Team – Local Bank Indonesia Office

(KBI), ...

(KBI), in the case sanction is imposed to Bank having its head office in KBI working area; and

- b. obligation to pay 1⁰/₀₀ (one per thousand) of transaction nominal value which is stated as cancelled or maximum Rp 1,000,000,000.00 (one billion Rupiah).

- 2. Due to the cancellation of OPT transaction for the third time within a period of 6 (six) months, besides imposed by sanction as referred to in point 1, Bank is also imposed with suspension in OPT activities for 5 (five) working days.

Example of sanction imposition of being suspended to participate in OPT transaction as referred to in Appendix-5.

- 3. Submission of a written warning as referred to in point 1.b is to be implemented on 1 (one) working day after the transaction cancellation occurred.

- 4. Imposition of sanction on obligation to pay as referred to in point 1.b is to be implemented by debiting the Demand Deposit Account of related Bank in Bank Indonesia on 1 (one) working day after the transaction cancellation occurred.

- 5. Imposition of sanction of being suspended to participate in OPT transaction activities as referred to in point 2 is to be implemented on 1 (one) working day after the transaction cancellation occurred.

- 6. Transaction nominal value as referred to in point 1.b is the SBI Nominal value won by the Bank.

- 4. Appendix -3a and Appendix -3b are amended and to add 1 (one) appendix of examples on calculation of sanction imposition on suspension in participating the OPT activities, as referred to in Appendix -3a, Appendix -3b and Appendix -5 of this Circular Letter.

The ...

The stipulations in this Circular Letter shall come into force on 1 September 2008.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the Official Government Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT

DPM